Saskatchewan
Finance

Annual Report 2000

Extended Health Care Plan

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the fifth Annual Report of the Extended Health Care Plan for the year ending December 31, 2000.

I have the honour to be, Madam,

Your obedient servant,

Eric Cline
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the fifth Annual Report of the Extended Health Care Plan for the year ending December 31, 2000.

Respectively submitted,

Brian Smith
Executive Director

INTRODUCTION

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to certain SGEU and CUPE-600 employees.

As at December 31, 2000, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of SGEU or CUPE-600.

OPERATION OF THE PLAN

ADMINISTRATION

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. The Joint Board of Trustees is responsible for the management and investment of the fund. The Joint Board of Trustees consists of 4 union members and 4 employer representatives as appointed by the Saskatchewan Public Service Commission and the unions.

The Plan pays premiums to the Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

FUNDING

Separate funding agreements are in effect for both SGEU and CUPE-600 employees.

Funding for SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees

- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

  - effective September 30, 1996 - 0.07% of straight time annual payroll;
  - effective September 30, 1997 - 0.37% of straight time annual payroll;
  - effective October 1, 1999 - 0.47% of straight time annual payroll.

Funding for CUPE-600 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees

- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll

- the employees covered by the PSC/CUPE-600 Collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

  - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
  - the amount required to make up the difference between the employer's contributions and the cost of monthly premiums for eligible employees, up to 0.15% of straight time annual payroll;
  - effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees.
  - effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll.

BENEFITS

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

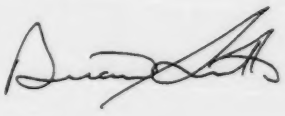
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with the disclosed basis of accounting.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2000 and the Provincial Auditor's report on these financial statements.



Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Regina, Saskatchewan
February 6, 2001

EXTENDED HEALTH CARE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2000

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statements of financial position of the Extended Health Care Plan as at December 31, 2000 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
February 6, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

EXTENDED HEALTH CARE PLAN
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	Extended Health Care Fund	SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	2000 Total	1999 Total
ASSETS					
Due from General Revenue Fund (Note 3)	$ -	$6,331,261	$275,370	$6,606,631	$4,707,495
Employer contributions receivable	300,860	128,986	12,122	441,968	409,568
Prepaid insurance premiums	-	-	-	-	386,392
	$ 300,860	$6,460,247	$287,492	$7,048,599	$5,503,455
LIABILITIES AND NET ASSETS					
Liabilities:					
Due to General Revenue Fund (Note 3)	$2,613,179	$ -	$ -	$ 2,613,179	$1,191,161
Accounts payable	18,395	-	-	18,395	767
Advance from General Revenue Fund (Note 4)	275,000	-	-	275,000	275,000
Net assets (Deficit) (Statement 2)	(2,605,714)	6,460,247	287,492	4,142,025	4,036,527
	$ 300,860	$6,460,247	$287,492	$7,048,599	$5,503,455

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
STATEMENT OF OPERATIONS AND NET ASSETS

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

					2000	1999
	Budget	Extended Health Care Fund	SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
REVENUES						
Employer contributions	$4,695,000	$ 3,421,441	$1,466,901	$137,779	$5,026,121	$6,436,350
Interest (Note 3)	350,000	(104,129)	296,491	10,852	203,214	86,927
	5,045,000	3,317,312	1,763,392	148,631	5,229,335	6,523,277
EXPENSES						
Insurance premiums	4,640,000	5,053,139	-	-	5,053,139	3,525,538
Administration	23,816	70,698	-	-	70,698	1,328
	4,663,816	5,123,837	-	-	5,123,837	3,526,866
Surplus (deficit) for the year	381,184	(1,806,525)	1,763,392	148,631	105,498	2,996,411
NET ASSETS (DEFICIT), BEGINNING OF YEAR	4,036,527	(799,189)	4,696,855	138,861	4,036,527	1,040,116
NET ASSETS (DEFICIT), END OF YEAR – to statement 1	$4,417,711	$(2,605,714)	$6,460,247	$287,492	$4,142,025	$4,036,527

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
STATEMENT OF CASH FLOWS

STATEMENT 3

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
Cash flows from operating activities:		
Employer contributions received	$ 4,993,566	$ 6,347,300
Interest received	203,214	90,963
Insurance premiums paid	(4,662,117)	(3,912,243)
Administration expense paid	(57,545)	(790)
Net increase in cash	477,118	2,525,230
CASH, BEGINNING OF YEAR	3,516,334	991,104
CASH, END OF YEAR	$ 3,993,452	$ 3,516,334
Cash consists of:		
Due from General Revenue Fund	$ 6,606,631	$ 4,707,495
Due to General Revenue Fund	(2,613,179)	(1,191,161)
	$ 3,993,452	$ 3,516,334

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain union employees of the Government of Saskatchewan.

The Plan is composed of the Extended Health Care Fund, the SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund.

Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.03% of regular pay for Saskatchewan Government and General Employees' Union members (SGEU) and 1.23% of regular pay for Canadian Union of Public Employees', Local 600-3 Union members (CUPE). The contribution rates are pursuant to SGEU and CUPE collective bargaining agreements.

The Plan pays premiums out of the Extended Health Care Fund to Group Medical Services who provide extended health coverage to plan members as outlined in an agreement. The Plan's risk is limited to the payment of its premiums. The Government through the Minister of Finance entered into an agreement with Group Medical Services for a period of 2 years until December 31, 2001.

Benefit Plans' Surplus Funds

The SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were required to be established to meet the terms of the SGEU collective bargaining agreement and the CUPE collective bargaining agreement. The Surplus Funds receive contributions from employers whose participation in the plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- .47% of regular pay of SGEU members
- .82% of regular pay of CUPE members

The SGEU Collective Agreement also required a one-time lump sum contribution of $2,000,000 from the SGEU employers. The SGEU Benefit Plans' Surplus Fund received this lump sum contribution in October 1999 from the Minister of Finance.

The purpose of the Surplus Funds is to off set cost increases arising from extended health care benefits and future dental plan enhancements. The Surplus Funds are administered under directions from the Joint Board of Trustees, made up of equal representation of union members and employers' representatives. The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles.

3. Due from/to General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are commingled in one bank account. However, the amount due from/to General Revenue Fund to the Benefit Plans' Surplus Funds and from the Extended Health Care Fund are accounted for and shown separately on the Statement of Financial Position. The interest income and interest expense are determined as outlined below.

The Plan's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the fund's average daily bank account balance. The Government's average thirty day borrowing rate in 2000 was 5.5% (1999 - 4.78%).

4. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance is interest-free with no fixed maturity date.

5. Financial Instruments

The Plan's financial instruments include due from/to General Revenue Fund, employer contributions receivable, accounts payable and advance from General Revenue Fund. Due to the immediate or short-term nature, the fair value of these instruments approximates carrying value.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and contributions receivable are from related parties.

The Plan is managed by the Public Employees Benefits Agency (PEBA). The PEBA Revolving Fund charged the Plan $64,548 (1999 - $1,328) for administration.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

The Public Employees Benefits Agency prepares and approves the budget.

8. Comparative Figures

Certain comparative figures have been restated to conform with the current year's financial statement presentation.